

**EGREMONT TOWN MEETING  
MAY 3, 2022 ("FISCAL YEAR 2023")  
FINANCE COMMITTEE REPORT AND RECOMMENDATIONS<sup>1</sup>**

**OVERVIEW**

The Selectboard's proposed operating budget for the town for Fiscal Year 7/1/2022-6/30/2023 ("FY23") totals \$3,437,348, an increase of \$259,954 (8.2%) over Fiscal Year 7/1/2021- 6/30/2022 ("FY22"). Egremont's share of the proposed school operating, transportation, and capital budget, including bond repayments, totals \$1,957,732, an increase of \$199,767 (11.4% over FY22). The town's operating budget plus school budget totals \$5,395,081, an increase of \$459,722 (9.3%) over FY22. Also included in the town's budget for FY23, assuming all special articles (not including Article 3 - Water Enterprise Fund) in the warrant pass in the amounts proposed by the Selectboard, is an additional \$2,756,162. To cover that additional amount, it is proposed that \$2,000,000 be borrowed, \$3,450 be transferred from the cemetery perpetual care account, \$427,712 be raised and appropriated and \$325,000 be paid from free cash. **Our proposed total budget for FY23 is \$8,151,242.**

Our current free cash balance is \$397,196. Since the Selectboard proposes that two special articles on the warrant be funded from free cash, our free cash balance after town meeting, assuming both items are approved, will be \$72,196. Combined with the stabilization fund balance of \$419,906 and the overlay surplus balance of \$83,945, the town's total reserves will be \$576,047. (Certified free cash, stabilization funds and overlay surplus funds are Massachusetts cities' and towns' reserve funds). Reserves in towns and cities in western Massachusetts average between 6 and 9% of the town's total budget. If the total budget is approved at \$8,151,242, the town's reserves after town meeting will be down to 7% of the total budget. Our town's reserves have been decreasing during recent years from a high of 12%.

Free cash will be recertified in the fall after FY22 closes, and it is estimated, based on past history, to increase by at least \$300,000. FY21, with COVID related restrictions, resulted in many line items in FY20 and FY21 not being spent, adding to the larger than usual amount of certified free cash used at last year's town meeting. Historically, the town has utilized free cash to fund in whole or in part capital expenses or one-off expenses.

Our real estate tax rate for the year is determined by the Department of Revenue in the fall by (1) adding our total budgeted expenditures approved at town meeting, including the line items (article 2 on the warrant), and the financial impact of those special articles that are not

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<sup>1</sup> A summary of this report and recommendations by the Finance Committee is on the town website, has been emailed to those whose e-mail addresses the town has, and has been distributed to various locations in print throughout town. The report and recommendations will also be available in print at the town meeting.

paid out of free cash or the stabilization fund, any charges for the water department not subsidized up front, snow and ice expenditures over the budgeted amount, and certain other items, and (2) subtracting anticipated receipts from fees and charges and monies paid to the town by the state, and spreading the resulting balance over the assessed valuation of all real estate in the town. Total town assessed valuation changes from year to year as new homes are built, renovations completed, and property reassessed. A complete revaluation was done last year. Because of additional new homes being built, homes selling for more than their assessed value, and homes being renovated during FY22, even though the tax rate went down, some taxpayers saw their taxes go up and others saw their taxes go down.

Town-wide revaluations will also occur in FY23. The state requires that towns assess at 100% of value and many homes are selling above their current assessed value. For FY 22, the formula described above produced a tax rate of \$7.93 per \$1,000 of assessed valuation, down from \$9.35 in FY21. Due to the town-wide reassessment in FY22 many property owners found their assessments went up considerably but that their taxes did not.

We will not know the tax rate and the impact on real estate taxes for FY23 until the fall. State and local receipts are estimated at \$255,418. In FY23 Egremont will be collecting local occupancy taxes and impact fees which will help to reduce taxpayers' taxes.

Example: Assessed Value (FY22)	Tax Rate (\$7.93)
\$ 500,000	\$ 3,965
800,000	6,344
1,000,000	7,930
1,500,000	11,895

## **SCHOOL BUDGET**

The Southern Berkshire Regional School district budget for FY23 is \$18,474,140, a 3.8% increase over the FY22 budget of \$17,794,556. The operating budget increased 5.3% while the capital and debt repayment budgets decreased 2.4% and 2.9%, respectively. Chapter 70 estimated aid from the state for FY23 totals \$2,026,391 based on 650 students and \$30 per student, an increase of only \$19,500 from FY22. Chapter 71, state transportation aid of \$788,136 is a decrease of \$46,000 from FY22. The transportation portion of the school budget has increased 30%, and transportation alternatives are not available at this time. Enrollment from the 5 district towns is estimated to be 650 students. (Enrollment continues to decline). While some district towns showed a decrease in students attending the school, Egremont showed an increase of 8 students over last year.

Each town's share of the operating and capital budgets, per the current five-town regional agreement, is based on a minimum required contribution established by the Mass



Department of Secondary and Elementary Education (DESE). Factors that are included in the Commonwealth's calculations are:

- Number of students residing in each town being educated in public schools
- Each town's property wealth based on equalized property valuations
- Each town's income wealth (based on the total personal income reported to the Department of Revenue by the district member residents)
- How far or close each town's calculated preliminary minimum required contribution is to the state's "target" contribution for that town
- Each town's "municipal growth factor" (based on new growth in the town)

Based on the above formula, Egremont's share to be contributed in FY23 is estimated to be 13.2% of the school budget, after receipts and state aid are taken into consideration. This is only slightly larger than last year.

## **SALARY/WAGES/BENEFITS**

The Selectboard, considering the recommendations of the Compensation Committee, proposes a 4.2% raise for all town employees (those not covered by a collective bargaining contract), both salaried and hourly, based on merit reviews. An overview of the cost of compensation for our employees is attached as Exhibit A. Overall compensation increased 8.4% over FY22, due in part to salary adjustments for a few of our employees. Periodically, the Compensation Committee surveys surrounding towns to determine salary/hourly wages for specific positions to remain competitive. Specific skills, education, etc. brought to a position are also considered.

Salaries/wages/stipends for all elected positions, including the Town Clerk and Tree Warden, who historically receive raises in line with employees, increased 4.2%. Elected officials (other than the Town Clerk and Tree Warden) have not received an increase for over 4 years.

Other towns in Massachusetts that chose in a recent survey to reveal what raises they are considering for FY23 are in a range of 2%-3.5%. Most towns chose not to participate in the survey. Other towns are in contract negotiations with unions and base their employee raises on union raises.

According to the Massachusetts Interlocal Insurance Association (MIIA), of which the town is a member, health insurance premiums for FY23 will increase 3.5%, while our dental premiums will decrease 4.7%. Our total line item for insurance is \$334,062, an increase of \$26,313 (8.6% over FY22). Those changes result from adding a new single employee and one of our employees choosing a family plan, plus an allocation to a reserve in case of changes in our employee mix. We provide health, dental and life insurance for all employees who work 20 hours or more a week at a contribution rate of 75% (town) and 25% (employee). Premiums for our retirees are paid 50%-50%.

Pension contributions to the Berkshire County Retirement System total \$214,966 (4.3% over FY22). The grand total of salaries/wages, associated payroll costs, the cost of police and highway collective bargaining amounts, benefits, and pension contributions is \$2,012,163 (8.4% over FY22).

## **TRANSPORTATION PROGRAM**

Under warrant item N under "Human Services", the amount of \$56,578 for public transport for FY22 has increased to \$60,663 (7.2% over FY23). Although we still have not received our grant-funded van (hopefully we will by the end of 2022), the Transportation Department has hired two drivers to provide transportation services for those who need them. The towns of Alford and Mt. Washington are participating in using our service and pay a total of \$6,000 per year. Currently, the drivers are using their own vehicles and the town reimburses them for mileage as well as an hourly rate. Egremont may also be awarded additional funds as the "Taxi Grant" program may be extended by the state. Egremont provides and has improved on services that had been provided in the past by the Southern Berkshire Elderly Transportation Corporation. That corporation abruptly stopped providing any type of ride in May 2020. Currently, we have two drivers, 15 hours per week for each driver, and a Transportation Administrator who works 19 hours per week. The Administrator works closely with the Council on Aging. The Finance Committee deems transportation for our elderly and disabled to be a priority.

## **PROPERTY AND CASUALTY INSURANCE PREMIUMS/SPECIAL RISK.**

The town's insurance costs cover professional liability for police and fire, general liability, workers' compensation and property and casualty insurance for the town's assets. The town's asset mix changes from year to year. Currently, Egremont has approximately \$11,539,770 in insured value comprised of \$8,906,528 in buildings and contents and \$2,633,242 in special equipment/property. The cost of this insurance is expected to decrease slightly from \$126,923 in FY22 to \$126,810 in FY23. The insurance company did not revalue our assets this year. Capital purchases will be added to the policy. The town's insurer is the Massachusetts Interlocal Insurance Association (MIIA). It is a non-profit member service that insures 400 cities, towns, and other public entities in Massachusetts. The town's coverage has low deductibles, usually \$500 per occurrence.

The Finance Committee explored in FY21 with MIIA whether higher deductibles would provide lower cost to the town. Unfortunately, auto deductibles as high as \$3,000 lowered total premiums by only \$617. Raising property deductibles to as much as \$5,000 only reduced premium cost by \$2,646. Consequently, the Finance Committee concluded there would not be any meaningful cost reduction from raising deductibles.



## **POLICE DEPARTMENT BUDGET**

This is the first year of a new 3-year union contract commencing July 1, 2022 for fiscal years 23, 24, and 25. If town meeting ratifies the new contract at this town meeting, it does so for all 3 years, although town meeting must vote the funds needed for collective bargaining each year. The current contract calls for a lateral raise of 3.9% on July 1, 2022, plus a vertical raise on the same date to the next step if an officer has had a satisfactory review. For those officers who have not hit the top of the pay grades, this results in an overall annual raise between 9% and 10% for 2 of our 4 full-time officers. Two officers hit the top of the pay grade in FY21 and FY22. The town is required to provide full time officer training to all part time officers, pursuant to the state's Police Reform Act enacted April 1, 2021. The town currently has no part-time officers.

The Police Department budget totals \$485,658, including \$350,351 for collective bargaining. That is an increase of \$43,220 (9.8%) over FY22 due mostly to collective bargaining increases. The police department is also requesting a new cruiser for \$58,000. The cruiser is a new model to which the equipment from our old cruiser cannot be transferred, adding to the cost.

## **HIGHWAY DEPARTMENT BUDGET**

The Highway Department's budget for FY23 is \$619,475, an increase of \$17,118 (2.8%) over FY22. Salaries and wages for highway personnel, pursuant to collective bargaining, are \$179,454, an increase of 5% over FY22. This is the first year of a new three-year contract that calls for raises of 3.9% per year. As with the police union contract, if ratified at town meeting, the contract is in effect for three years, but subject to town meeting funding each year.

In Article 19 of the warrant, the Selectboard requests \$200,000 to make repairs to town roads. That amount will enable the Highway Department to continue to complete resurfacing 3 to 5 miles of town roads per year. There are approximately 43 miles of town roads, and it is hoped that with additional monies each year, roads would be able to be repaired and/or resurfaced every 7 to 8 years as opposed to every 12 years. It is proposed that \$150,000 be raised via taxes and \$50,000 from free cash. The Selectboard decided to increase the usual \$150,000 funding by \$50,000 this year due to the high costs of materials. The Finance Committee concurred because it is extremely important to maintain our roads for the safety and welfare of our townspeople. Equally importantly, we are avoiding costlier repairs.

Chapter 90 funds are sums received from the state yearly to support constructing, repairing, and maintaining town roads. It is expected that the town will receive \$150,125 for FY23, some \$15,000 less than in FY22.

The town's snow and ice expenditure budget remains \$70,000, although overruns are common. Most of the money is spent for materials used in winter maintenance that are

purchased during the off season to lower costs. The Highway Department added snow and ice equipment repairs to its vehicle maintenance and repairs line item to more accurately account for what is being spent on repairs. The line item is \$1,000 more than FY22. The \$270,000 dump truck approved at last year's town meeting is still awaited.

## **BUILDING AND GROUNDS DEPARTMENT**

Article 8 asks the town to approve \$275,000 to construct a new building to house the Building and Grounds Department. The existing building has no running water or restroom facilities. It may not be up to safety and health standards and there is no room for storage of future equipment. There is no space to perform work projects. Our superintendent has his contractor's license and does much of the carpentry work by himself. This saves the town from having to contract out smaller jobs at a higher cost. There are foreseeable structural issues with the building and the roof needs to be replaced. The existing building is very energy dependent and is over 2.5 miles from the municipal buildings for which the superintendent is responsible.

The town has already spent time and money for engineering and designing the building. The new building will have room for future expansion. Being in proximity to the Highway Department will allow for equipment to be shared more easily. The well and septic system will be shared. Since it will be a public building, it will be energy efficient.

## **WATER DEPARTMENT**

The Water Department's proposed budget for FY23 is \$228,810, which is \$11,453 less than in FY22. All its debt has been retired. Our Water Department operator received his certification as the principal operator (D-1) and primary distribution operator (T-1) in September 2020. Therefore, the Department no longer needs to pay the licensed operator under whom he was working while completing his training, saving the users and the town money. The Water Department's projected receivables for FY23 are estimated at \$231,000. The Water Department has no retained earnings that are to be used at town meeting. The Department of Revenue will recertify its retained earnings in the fall of 2022.

The Water Department's salaries/wages line has increased from \$57,813 to \$81,250. This \$23,437 increase consists of a salary adjustment for our operator who received his full license in September 2020. In addition, the Department has requested that funds be provided for a trainee working 3 hours a day, 5 days a week, for not only safety reasons (DEP required) but because it will provide an opportunity to train/familiarize a possible future operator for our system. The statewide average for a "contract operator" averages \$30-\$50/hour.

A vehicle for the primary operator has been added to the budget. This will allow for material and tools to be securely transported along with his performing monthly meter readings and general maintenance. Currently, we pay mileage to the operator, who is using his



personal vehicle. He must load and unload equipment in his truck each day. A plow and small sander have been included so the Department will save money on contracting for plowing and sanding. The Highway Department does not have the equipment for the long winding road to the water plant.

Article 4 in the warrant seeks the town's approval to authorize the Selectboard to form a study group to consider infrastructure, governance, and ownership options of the Egremont Water Department.

Article 5 in the warrant seeks approval to borrow up to \$2,000,000 (pursuant to a study and estimates by Tighe and Bond, dated March, 2022 that was paid for by ARPA funds), to pay the costs of making necessary water line upgrades and repairs primarily to a portion of Main Street. The water system's pipes are over 112 years old. In the latest recent leak over 100,000 gallons a day were lost at the site of the Old Mill Restaurant.

The State Department of Transportation will begin its Main Street reconstruction project in the summer of 2022. Part of this reconstruction includes replacing approximately 800' of water system pipe. That leaves about 4,200' of pipe left to be replaced at a cost estimated at \$350 per foot, plus roughly 8% in engineering costs. Eventual replacement of the remaining pipe is unavoidable. If the town decides to move forward, it would be able to use the DOT engineers to design the remainder of the pipe replacement project while the road is torn up. One of the provisions in the contract with the DOT is, barring emergencies, the town cannot dig up for a period of 5 years the section of the road that has been replaced.

This borrowing would save the cost of replacing 800' of pipe and enable the town to piggy back on the DOT's engineers.

The users of the Water System, since it is an Enterprise Fund, will be responsible for repayment of the borrowing. However, as in the past, if the users are not able to cover the costs of the Water Department's budget, including its debt, the town may be asked to subsidize the shortfall. The town is also looking at grants for this type of water infrastructure project but grants take time and the town would miss the opportunity to work with the DOT and save on costs.

If we do not go ahead with the replacement of pipes due to other circumstances, we can rescind the borrowing authorization.

## **DEBT AND INTEREST**

Debt and interest payments for FY23 include \$10,000 for short term debt, \$61,081 for the yet to be delivered highway dump truck, \$67,999 for the rescue truck (final payment) and \$71,269 for the fire truck which is yet to be delivered. Payment on the Mt. Washington Road debt for FY23 is \$59,029.

The Mt. Washington Road project debt outstanding is \$735,500, not including the above payment. \$335,000 remains to be borrowed and will be borrowed in FY23. The Selectboard is not asking for any additional monies at this town meeting. \$1,070,000 was the original amount quoted for 100% of the design (for which the town is responsible), but that amount now covers approximately 75%-80% of the design cost. However, to proceed faster with the commencement of reconstruction of Mt. Washington Road, which is deteriorating fast, the project has now been divided in two. The first part to be done ("phase one") will be the area from the Mt. Washington Road line to Jug End Road. Dividing the project in two will cost extra engineering fees but lessen the time before construction begins; perhaps as a result the town will see this project on the Transportation Infrastructure Program (TIP) list in 2024. The Selectboard are pushing for 2024 but commencement is currently scheduled for 2026.

Total cost estimated for phase one is at least \$8 million. The cost of phase two should be comparable. The town is responsible for all the engineering costs. Although the DOT through the TIP program estimates \$8,000,000 from the state for construction of phase one, the town is still obligated to provide police details and other incidentals during reconstruction for both phases. Total costs originally estimated at \$8,000,000 in 2018 for the entire project (phase one and two) is now estimated at more than \$16,000,000.

The town has been making interest only payments on the borrowings to date and rolling over the principal amounts. After year 3 of rolling over principal amounts, in FY23 payments of principal must commence and the remaining \$335,000 will be borrowed. Because of overruns, there will be an additional request for funds once the initial borrowing authorization limit is reached.

## **PROSPECTIVE BORROWINGS**

Attached as Exhibit B is a projection of the total amount of borrowings/debt expected in FY23 if all warrant articles are passed. Financing options have not yet been determined. In FY22 total debt service was \$156,184. Debt service in FY23 will be \$269,378. The police facility and water department debt was retired in FY22 and the rescue truck debt will be retired in FY23. Debt includes the dump truck for the Highway Department (\$270,000) and the fire truck for the Fire Department (\$315,000) and \$735,500 outstanding for Mt. Washington Rd. The town will also borrow in FY23 \$335,000 for the Mt. Washington Road project and \$2,000,000, assuming approval, for the Water Department.

## **CAPITAL PLANNING AND PURCHASES**

With the FY23 budget, the town is committing to several critical capital investments, ranging from new equipment such as fire trucks and maintenance vehicles, to a building for our Building and Grounds Department, to ongoing work on roadways in town. The Finance



Committee believes these investments are necessary to maintain the level of services that residents have come to expect from the town. Furthermore, the town's financial status is reasonably healthy, with reserves at 7.0% despite the disruptions of the pandemic.

With capital purchases in mind, the Finance Committee has initiated an annual capital planning exercise with the Selectboard and each town department to:

**(1) Review capital available for investments**

Finances ebb and flow. Prudent financial management dictates that the town make capital investments during times in which capital is available or the town's credit rating and its future outlook are strong.

**(2) Plan and anticipate capital expenditures well in advance**

Capital planning is never done. The Selectboard and town staff should think in 5-year increments, looking at least 5 to 10 years into the future and ideally 15 to 20 years ahead. With a major purchase, like a fire truck, the state and the manufacturer/vendor typically provide an estimate of useful life, and town staff should begin planning for the future replacement of the new equipment at the time of delivery.

**(3) Plan related expenses**

Maintenance and repairs are facts of life for the town as they are for its residents. The annual capital planning exercise will encourage town staff to plan for operating expenses, including proactive maintenance and repairs, to maximize the useful life and minimize downtime.

**(4) Maintain a consistent process and accurate asset inventory**

A consistent process from year to year facilitates discipline and accuracy. The Finance Committee has created a template for the Annual Capital Planning Exercise, which includes an asset inventory by department, key assumptions, and more.

For this planning cycle, the Finance Committee has created a template and accounted for initial estimates by town departments. The Finance Committee will update its template with actuals as they are recorded, as well as assumptions/heuristics for annual maintenance and repairs. The Finance Committee expects that the FY24 annual capital planning exercise will be more detailed.

**Finance Committee for Fiscal Year 2021-2022**

Laura Allen, Chairman  
Thomas Berkel, Secretary  
Frank Penglase  
Bruce Turner

Michael Bandzierz, Vice Chairman (part year)  
Bryan Frank  
Amy Pulver (part year)  
Daniel Blitzer (part year)

# Exhibit A

TOWN OF ESREMONT CALCULATIONS - FISCAL YEAR 2022 COMPARED TO FISCAL YEAR 2023									
	2022	2023	2023 TOTAL	\$ DIFFERENCE	% DIFFERENCE	Revenue from Users	NewPT*		
SALARIED	377,286	393,131		15,847	4.20%				
HOURLY	197,364	225,414		27,950	14.60%				
WATER	57,813	81,250		23,437	40.00%				
POLICE CB	311,057	350,351		39,294	12.60%				
HIGHWAY CB	170,884	179,454		8,570	5.00%				
CHRIS G.	12,968	16,596		3,628	28.00%				
FIRE DEPARTMENT	64,500	68,361		3,861	6.00%				
TRANSPORTATION	56,316	50,648		-5,668	-11.00%				
ELECTED OFFICIALS	33,650	35,067		1,417	4.20%				
SUBTOTAL			1,400,172	118,336	9.20%				
OTHER A	8,000	9,000							
OTHER B	19,310	19,963							
SUBTOTAL			28,963	1,653	6.00%				
HEALTH	307,749	334,062		26,313	8.60%				
PENSION	206,120	214,966		8,846	4.30%				
SS/MEDICARE	18,000	19,000		1,000	5.50%				
UNEMPLOYMENT	10,000	10,000		0	0.00%				
SICK LEAVE BY BACK	5,000	5,000		0	0%				
SUBTOTAL			583,028	36,159	6.60%				
GRAND TOTALS			2,012,163	156,148	8.40%				
*WaterDept - Salaries, etc should have been \$81,810 as raise to \$27.25 was given to Nate on \$3,900 for 26 weekends but was not fixed on budget sheet so I left it at \$81,250									
Overall									

See Page 4 of 2023 salary calculations for employees



**EXHIBIT B**  
**TOWN OF EGREMONT DEBT CONSIDERATIONS**

Pursuant to previous year's approvals, the town has borrowed to purchase three vehicles and to pay for the Mt. Washington Road engineering. Shown below, these items totaled \$1,345,000 in FY22. The Rescue Vehicle loan will be paid off on December 19, of 2022. There is no new borrowing anticipated for these types of items for FY23. We do, however, expect to draw down the final \$335,000 pursuant to the original authorization to borrow \$1,070,000 for Mt. Washington Road.

However, the Water Company is planning a substantial replacement of pipes and mains in the water system. This project is assumed to have a cost of \$2,000,000 and begin, hopefully this autumn. The Water Company would need to borrow to pay for this project and the cost would be paid by the water users. It is assumed that the borrowing would be over ten years and have drawdowns of principal as needed. The town is contingently liable for this loan.

**PRINCIPAL AMOUNTS OUTSTANDING - \$**

	<u>6/30/22</u>	<u>6/30/23</u>	<u>6/30/24</u>	<u>6/30/25</u>
Rescue Vehicle	67,000			
Mt. Wash Rd	693,000	637,000	580,000	524,000
Mt. Wash Rd*		335,000	335,000	335,000
HgwyDumpTruck	270,000	216,000	162,000	108,000
FireTruck	315,000	252,000	189,000	126,000

\* \$335,000 drawdown in FY23 added to principal balances.

<b>TOTAL</b>	<b>1,345,000</b>	<b>1,440,000</b>	<b>1,266,000</b>	<b>1,093,000</b>
<b>Potential Water debt</b>		<u><b>1,000,000</b></u>	<u><b>2,000,000</b></u>	<u><b>1,900,000</b></u>
<b>GRAND TOTAL</b>	<b>1,345,000</b>	<b>2,440,000</b>	<b>3,266,000</b>	<b>2,993,000</b>

The above shows a rising debt level and implies increasing interest expense. Although the Police Facility and initial Water Department debts have been paid off, additional items substantially offset this by over \$2 million. These levels are well within the town's debt capacity, and the town may want to consider a bond issue in the next year or so to consolidate these debts and lock in today's low rates. The latest renewal rate for the Mt. Washington Road project renewal (rollover rate) was 0.36%. These rates will not endure.